- *Political Influences*
- *Economic Influences*
- *Personal Influences*
- *Role of Entrepreneurial Culture in ED*

## CONCEPT AND NEED OF ENTREPRENEURSHIP DEVELOPMENT

***Entrepreneurship Development (ED) is a process of developing and enhancing entrepreneurial knowledge and skills through training and development programmes.***

Entrepreneurship is considered as the backbone of economic development. It has been well established that the level of economic growth of a region largely depends on the level of entrepreneurial activities in the region. The myth that entrepreneurs are born, no more holds good, rather it is well recognised now that the entrepreneurs can be created and nurtured through appropriate interventions in the form of entrepreneurship development programmes.

In the era of liberalisation, privatisation and globalisation along with ongoing IT revolution, capable entrepreneurs are making use of the opportunities emerging from the evolving scenario. However, a large segment of the population, particularly in the industrially backward regions/rural areas generally lags behind in taking advantage of these opportunities. Therefore, there is a need to provide skill development and entrepreneurship development training to such people in order to mainstream them in the ongoing process of economic growth.

***The basic aim of ED is to increase the supply of entrepreneurs so that new ventures or business units are created, which in turn would generate more employment and enhance economic development. ED focuses on the individual who [illegible] unit. Therefore, ED concentrates more on the growth potential and innovation in business units.***



Generally, people equate entrepreneurship development with self-employment. It is to be noted that some self-employed individuals are indeed entrepreneurs, but most of the self-employed persons are not entrepreneurs. ED focuses not only on self-employment but also on growth and innovation of business units. Some of the self-employed people innovate and expand their businesses. They continue to operate in informal sector with little growth potential. In India, various institutions are undertaking ED programmes.

The institutions that conduct EDP include Entrepreneurship Development Institute of India (EDII), Ahmedabad, Maharashtra Center for Entrepreneurship Development (MCED) (having regional offices at Mumbai and seven other cities in Maharashtra), National Institute for Micro, Small and Medium Enterprises (NI-MSME)Hyderabad, (formerly called as NISIET, National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida, Indian Institute of Entrepreneurship (IIE), Guwahati, and so on.

### Need of Entrepreneurship Development:

The basic purpose of ED is to generate employment and accelerate the pace of economic and social development. The need for ED is explained as follows:

1. **Establishing Business Units:** ED programmes are undertaken to encourage individuals to set up business units so as to generate employment and speed up the process of economic and social development.

   Entrepreneurship training and development is one of the key elements for development of micro and small enterprises (MSEs), particularly, the first generation entrepreneurs. To undertake this task on regular basis, the Government of India has set up three national-level Entrepreneurship Development Institutes (EDIs) [illegible] the National Institute for Micro,

Indian Institute of Entrepreneurship (IIE), Guwahati and the National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida.

Also, the State Governments have set up ED institutions to encourage and motivate individuals and groups to set up business units.

2. **Employment:** Entrepreneurship facilitates employment generation. Due to entrepreneurship, there is generation of self employment. Apart from self employment, the entrepreneurs generate direct and indirect employment:

   - The direct employment in the business units managed by entrepreneurs.
   - The indirect employment in the supporting units that provide inputs and services to the enterprises or that depend on the enterprise for the inputs and services.

3. **Economic Development:** Entrepreneurship activity contributes to the economic development of a nation. Due to entrepreneurship, new and innovative materials, products, technologies, processes are developed. This increases production and distribution of goods and services, resulting in growth and development of the nation.

   Developed countries like Japan, USA, Germany, etc., owe their economic development to the contribution of their entrepreneurs. Without the innovative role of entrepreneurs, economic development of a nation would get hampered.

4. **Self-Reliance:** India faces the problem of trade deficit (imports are more than exports). For instance, India's merchandise trade deficit in in 2022-23 was US $ 266. 78 billion (Imports US $ 714.24 billion and exports US $ 447.46 billion). Due to trade deficit, India faces the problem of current account deficit.

   To overcome the problem of trade deficit and consequently current account deficit, Government of India and the State Governments need to develop the spirit of entrepreneurship,



especially among the youth. Entrepreneurs must be encouraged to develop import substitutes so as to reduce imports. Self-reliance will enable the nation to be less dependent on foreign nations, thus saving the outflow of valuable foreign exchange.

5. **Social Development:** Entrepreneurs play an important role in social development of a nation. Professional and successful entrepreneurs recognize and respond to social development needs of the society.

   The entrepreneurs contribute funds towards social development activities like health, education, and community development activities. They also generate new and innovative ideas to enhance social development in the society.

6. **Standard of Living:** Entrepreneurs generate employment. Employment increases income level of the employed people. Increase in income leads to higher purchasing power, which leads to increase in consumption of goods and services. The increase in consumption results in higher standard of living of the people. Also, entrepreneurs provide innovative and improved quality of goods and services, which facilitates higher standard of living of the people.

7. **Regional Development:** The entrepreneurs set up industries not only in urban areas, but also in backwards areas. Due to government incentives such as cash subsidy, tax holiday, duty concessions, etc., entrepreneurs are induced to set up industries in backward areas. As a result of such initiative on the part of entrepreneurs, the backward areas get developed not only economically but also socially.

8. **Revenue to the Government:** The entrepreneurs provide revenue to the government. They provide revenue by way of direct and indirect taxes. The direct revenue comes in form of personal income tax, and corporate tax paid by entrepreneurs. The indirect revenue comes in the form of excise duty, custom duty, services tax, etc., paid by the entrepreneurs.

***Note: The above topic overlaps – Importance of the Growth of Entrepreneurship explained later in this chapter.***

# CONCEPT OF ENTREPRENEUR

An entrepreneur is a person who develops a new idea and takes the risk of setting up an enterprise to produce a product/service which satisfies customer needs. ***All entrepreneurs are business persons, but not all business persons are entrepreneurs.*** An entrepreneur is a business person who always finds ways to improve performance and grow/expand the enterprise. However, a mere business person may only continue to run his/her business in the same manner without any improved changes. Your neighbourhood grocery store owner that hardly makes any innovative changes is an example of business person but not an entrepreneur. An entrepreneur is a business person who innovates or makes changes for growth and expansion. An entrepreneur acts as a catalyst of growth and development in today's modern world.

It is to be noted that there can be broadly two types of entrepreneurs:

- Economic entrepreneur who is driven by profit objective.
- Social entrepreneur who operates with the objective of social welfare.

In 1725, *Richard Cantillon,* a noted economist, developed one of the early theories on entrepreneurship and is regarded as the founder of the term 'entrepreneur'. He viewed entrepreneur as a ***risk taker.*** He observed that merchants, farmers and others buy at a certain price and sell at an uncertain price, thereby, operating at a risk.

## Definitions of Entrepreneur:

**Webster's Dictionary** defines the term entrepreneur as " ***a person who organizes and manages a business undertaking, assuming the risk for the sake of profit.***"

**Peter F. Drucker** states that an entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity. He further states that innovation is the specific tool of entrepreneur, the means by which he exploits change as an opportunity for a different business or service.



The *New* **Encyclopedia Britannica** describes an entrepreneur as an individual who bears the risk of operating a business in the face of uncertainty about future conditions.

**Joseph A. Schumpeter** states that entrepreneur is a person who introduces innovative changes in an enterprise.

**H. B. Pickle & R.L. Abrahamson** (1990) define an entrepreneur: *"An entrepreneur is one who organizes and manages a business undertaking, assuming the risk, for the sake of profit. The entrepreneur evaluates perceived opportunities and strives to make the decisions that will enable the firm to realize sustained growth."*

**Robert C. Ronstadt** (1984) defined *"Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and career commitment to provide value for some product or service. The product or service may or may not be new or unique but value must somehow be infused by the entrepreneur by receiving and allocating the necessary skills and resources."*

We define entrepreneur as a person who assumes risks and operates with innovative ideas to grow and expand his/her enterprise with the ultimate objective of earning higher profits.

# CHARACTERISTICS AND QUALITIES OF ENTREPRENEUR

A successful entrepreneur needs to have an all round personality, which comprises of the following elements:

1. **Innovator:** In 1934, Joseph A. Schumpeter, the well known expert on entrepreneurship has viewed entrepreneur as an innovator. According to Schumpeter, nobody is an entrepreneur all the time; one behaves as an entrepreneur only when carrying out innovative activities. According to Joseph A Schumpeter, innovation can take place in the following five forms:
   - The introduction of new product in the market.

- The development of new production technology.
- The entry in a new market.
- The development of new source of raw material.
- The creation of new organisation structure in any industry.

2. **Decision-Making Skills:** To be successful a person should have the ability to take and implement decisions quickly, but not hastily. An entrepreneur is required to take minor or major decisions. Therefore, a businessman should know that the result of a decision can be positive or negative, but the outcome of not taking decision is always negative. A successful businessman is one who takes a right decision at the right time and implements it efficiently and effectively.

3. **Open-Mindedness:** It means a free and frank approach in accepting one's errors and then making efforts to rectify the same. A successful entrepreneur is open to constructive criticisms. A successful entrepreneur is willing to learn from his past experience and mistakes and moulds himself for better future.

4. **Locus of Control:** In 1960s, Julian Rotter developed the concept of Locus of Control. It is an attribute that indicates the sense of control that a person has over life. It is an important aspect of personality. The locus of control can be viewed from two angles:
   - Internal Locus of Control, where an individual believes that his behaviour is guided by personal decisions and efforts.
   - External Locus of Control, where an individual believes that his behaviour is influenced by fate or other external factors.



**FOR REFERENCE**

The positive **answers** to the following questions will indicate that you possess the **internal control** of being an entrepreneur:

- Do you know that if you decide to do something, you will do it and nothing can stop you?
- Even though it is scary to try something new, are you the one who tries it?
- When you do a good job, you get good satisfaction in doing so?
- If you want something, do you ask for it rather than wait for someone to notice you and just give it to you?
- Even though people tell you 'it cannot be done' do you find it out yourself?

The positive answers to the following questions will indicate that you are more geared towards **external control**, which may inhibit entrepreneurship drive:

- Do you often feel 'that's the way things are and there's nothing I can do about it?
- When things go right and are terrific for you, do you think, it's mostly luck?
- Do you think you should go into business or do something because everything you read these days is urging you in that direction?
- Your friends and family members tell you that its foolish of you to want a career? Have you listened to them and stayed at home all these years?
- Do you think its important for everyone to like you?

5. **Organizer:** An entrepreneur requires highest level of organizing abilities. The entrepreneurship activity requires a proper blend of physical, capital and manpower resources. Right amount of resources, both in terms of quality and quantity needs to be organized so as to achieve higher level of returns.

6. **Personality:** Successful entrepreneurs have pleasing personality. Entrepreneurs with good personality create a good impression on others and can mould others behaviour. Personality is the combination of three main elements:

   - Physical qualities – good health and physique.
   - Mental qualities – IQ and EQ.
   - Social qualities – the ability to get along with others.

   A person having physical and mental stamina can cope up with hard work. At times, businessman may have to work 24 hours a day. This does not mean that businessman needs to be workaholics. They should learn to delegate routine and repetitive work to their subordinates.

   It is said that ***Good Thoughts generate Good Feelings, Good Feelings develop Positive Attitude (tendency to behave), Positive Attitude leads to Action, Repetitive Action results in Habit, Total of all Habits reflects the Personality, and Personality creates Destiny.*** Entrepreneurs need to get good thoughts about people and business practices, which may generate good feelings and develop positive attitude, which in turn will lead to action, and several good actions will determine the personality of the entrepreneur.

7. **Risk Taker:** Entrepreneurship activity is undertaken to assume risks and rewards. Any innovative activity is always subject to risks and uncertainties. If the innovative activity is successful, the entrepreneur will reap rewards, otherwise, the entrepreneur has to assume risks of failure. Therefore, an entrepreneur needs guts to assume risks, and he gets glory when there is success. It is to be noted that entrepreneurs take moderate risks, as compared to gamblers who take extreme risks.



8. **Technical Knowledge:** It implies knowledge about the product, process or technology used in manufacturing. In addition, an entrepreneur should be well versed with legal, accounting, financial and administrative matters relating to business.

9. **Patience:** It means steadiness, endurance and perseverance in the performance of a task. A good amount of patience is necessary in any type of occupation. Patience does not mean just waiting or tendency to stop working or delaying decisions. Patience means doing the work and then waiting for the result. In other words, a businessman should not wait for actions but can certainly wait for result of his efforts.

10. **Desire to Achieve Goals:** A successful entrepreneur is a person who sets challenging but realistic goals. To him problems and prospects are the two sides of the same coin. He has a strong desire to locate an opportunity in a problem and a determination to solve it. He always lists out priority of objectives, and make every possible effort to achieve them.

11. **Human Relations:** An entrepreneur comes in contact with employees, investors, customers and other social groups. Business is a social activity and its success depends on maintaining good relations with employees, customers, creditors and community. An entrepreneur who understands the psychology of people has good prospects in business.

12. **Communication Skills:** It means the ability to share information with others. An entrepreneur who communicates effectively with employees and outsiders is more successful in business than others.

13. **Leadership:** An entrepreneur needs to have good leadership skills. Leadership is an act of ***influencing people*** to work willingly towards group objectives. A good leader needs to understand the feelings and emotions of his people and accordingly guide and lead them.

    Nowadays, leaders need to adopt situational leadership style. Depending upon the situation, the leadership style needs to be changed. Situational leadership style is the combination of three

main leadership styles – autocratic leadership, consultative leadership and participative leadership.

*For instance:*

- In case of urgent and important decisions, it may not be possible for the leader to consult the subordinates, in such a situation; the leader may take autocratic decision and accordingly inform the subordinates to implement it.
- At times, there is enough time to consult the subordinates especially in the case of important decisions, in such a situation; the leader may adopt consultative leadership style.
- Also, in certain decisions especially at the top level, there is a need to adopt participative leadership style, where the leader and his subordinates may jointly participate in decision-making.

14. **Other Qualities:** There are several other qualities that describe the characteristics of a good entrepreneur. The other qualities of an entrepreneur include:

- Ability to learn from Past Experience.
- Initiative
- Discipline (application and dedication)
- Self-confidence/Efficacy
- Flexibility
- Role Model to Subordinates
- Opportunity Seeker
- Systematic Planner
- Time Management
- Perseverance
- Desire for High Achievement



- Optimistic and not Pessimistic
- Desire for Status in Society

***(Note: Characteristics of an Entrepreneur and Qualities of an Entrepreneur do overlap and therefore, they are explained under one topic.)***

## FUNCTIONS OF ENTREPRENEUR

The entrepreneurs perform a number of functions, which facilitate the smooth functioning of business enterprises. The functions or roles performed by an entrepreneur are stated as follows:

1. **Planning for Business Activities:** Entrepreneur needs to be a good planner. He has to prepare short term and long term plans. For this purpose, he has to analyse the internal and external environment. Analysis of internal environment would reveal strengths and weaknesses of the organisation. The analysis of internal environment involves:

   - Analysis of manpower.
   - Analysis of physical resources such as machines.
   - Analysis of financial resources.

   Analysis of external environment would reveal opportunities and threats facing the organisation. The analysis of external environment involves:

   - Analysis of competition.
   - Analysis of government policies.
   - Analysis of customers' preferences.

   After analyzing the environment, the entrepreneur sets the goals, and then frames the alternative plans. The alternative plans are evaluated and then the best plan is selected.

8. **Concern for Social Development:** The entrepreneurs must be concerned about the social development. They must contribute towards social development activities, like health, education, and community development. The entrepreneurs must fulfill their social responsibility towards various sections of the society.

## REVIEW QUESTIONS

1. Explain the need of entrepreneurship.
2. Discuss the importance and significance of entrepreneurship
3. Explain the characteristics and qualities of a successful entrepreneur.
4. Discuss the concept of entrepreneurship
5. Explain Joseph Schumpeter's Theory of Innovation.
6. Explain in brief Theory of High Achievement by David McClelland.
7. Write a note on X-Efficiency Theory by Harvey Leibenstein.
8. Discuss in brief the Theory of Social Change by Everett Hagen
9. Write a note on Theory of Profit by Knight.
10. Explain socio-cultural and political influences on entrepreneurship development.
11. Explain economic and personal influences on entrepreneurship development.
12. Discuss the role of entrepreneurial culture on entrepreneurship development.

## OBJECTIVE QUESTIONS

**I. Fill in the blanks with the correct option from the bracket:**

1. _____ conducts entrepreneurship development programmes. (**NIESBUD**, RBI, CARE)
2. _____ developed the concept of 'Locus of Control' in 1960s. (Joseph Schumpeter, **Julian Rotter**, Gifford Pinchot)
3. Entrepreneurship requires _____ decisions. (**Proactive**, Reactive, Neutral)
4. In 1966, Harvey Leibenstein popularised the concept of _____. (**X-efficiency**, Y-efficiency, Z-efficiency)

5. Everett Hagen developed the 'Theory of _____'.
(**Social Change**, Uncertainty, Achievement)

6. Entrepreneur who acts like an arbitrageur is known as a _____.
(**Gap Filler**, Input Provider, Leader)

7. Economic entrepreneurs are driven by _____.
(**Profit Objective**, Human Objectives, Social Objective)

8. Analysis of _____ environment reveals strengths and weakne of the organisation. (**Internal**, External, Local)

9. Analysis of _____ environment reveals opportunities and threat the organisation. (Internal, **External**, Local)

10. _____ resources are required in meeting working capital needs. (Physical, **Financial**, Human)

**II. State whether the following statements are 'True' or 'False':**

1. Entrepreneur fears taking risks.
2. Social Entrepreneur is driven by profit objective.
3. In internal locus of control, the behaviour of an individual is influenc by fate or external factors.
4. An entrepreneur should have good leadership skills.
5. Professional entrepreneurs focus on R & D activities.
6. Entrepreneurship does not focus on results.
7. Entrepreneurship involves innovation and creativity.
8. Richard Cantillon viewed entrepreneur as a risk taker.
9. F.H.Knight states that 'newness' can create uncertainty.
10. Entrepreneurship is not influenced by political factors.

*Ans: False : 1, 2, 3, 6, 10*
*True : 4, 5, 7, 8, 9*

**III. MATCH THE COLUMNS :**

A.

| Group A | Group B |
|---|---|
| 1. Monetary Incentive | a. Welfare Facilities |
| 2. Non-Monetary Incentive | b. Bonus |
| 3. Insurable Risk | c. Bad Debts |
| 4. Non- Insurable Risk | d. Loss due to Fire |
| 5. HRM | e. Managing Manpower |
| | f. Mobilizing Funds |

*Ans: (1) - (b), (2) - (a), (3) - (d), (4) - (c), (5) - (e)*



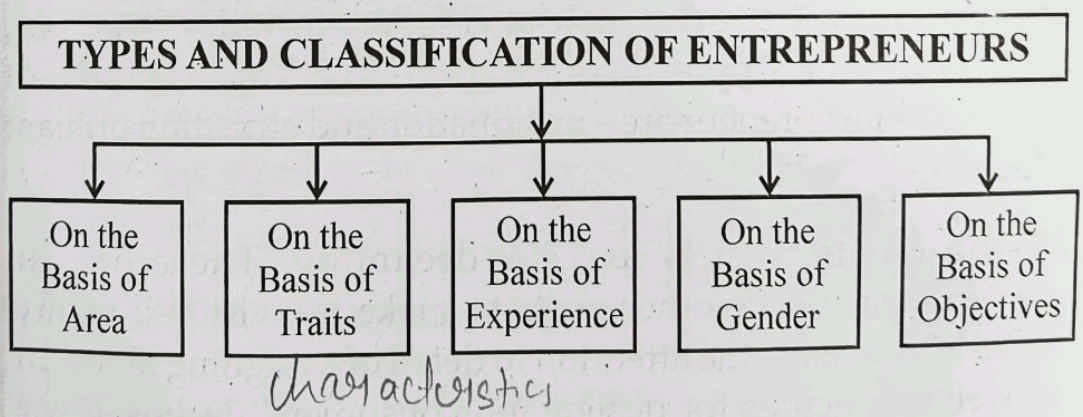
| Group A | Group B |
|---|---|
| 1. Richard Cantillon | a. Founder of the term 'Entrepreneur' |
| 2. Julian Rotter | b. Concept of 'Locus of Control' |
| 3. Joseph Schumpeter | c. Five forms of Innovation |
| 4. Peter Drucker | d. Entrepreneur is a 'Seeker of Change' |
| 5. Robert Ronstadt | e. Entrepreneur is a 'Wealth Creator' |
| | f. Entrepreneur is a 'Facilitator' |

*Ans: (1) - (a), (2) - (b), (3) - (c), (4) - (d), (5) - (e)*

- *Entrepreneurial Development Program (EDP)*
  - *Concept and Objectives*
  - *Methods*
  - *Content and Curriculum*
  - *Factors*
  - *Institutions*
- *Options Available to Entrepreneur*
  - *Ancillarisation*
  - *BPO*
  - *Franchise*
  - *M & A*

## TYPES AND CLASSIFICATION OF ENTREPRENEURS

There are different types of entrepreneurs. They can be classified under several groups, which is shown as follows:


TYPES AND CLASSIFICATION OF ENTREPRENEURS
On the Basis of Area
On the Basis of Traits
On the Basis of Experience
On the Basis of Gender
On the Basis of Objectives

characteristics

### I. ON THE BASIS OF AREA

The entrepreneurs may be classified on the basis of area:

1. ***Rural Entrepreneurs:*** Rural entrepreneurs are those who operate their business activities in rural areas. Rural entrepreneurs may

get a large size of rural market for certain products like soaps, detergents, bicycles, sew machines, etc. They may use outdated technology and pay less attention to research and development. These entrepreneurs depend upon to a great extent on the services of intermediaries. They face problems in getting financial assistance from the banks and financial institutions. They consider training as waste of time and money. They believe that the traits of entrepreneurship are born or inherited.

2. *Urban Entrepreneurs:* Urban entrepreneurs are those who operate their business activities in urban areas. Urban entrepreneurs may get a large size of urban market for certain products like branded clothing, cars, washing machines, air-conditioners, etc. They make use of modern technology and give importance to research and development. Generally, urban entrepreneurs do not face the problems of transportation, bank credit, advertising, etc. They, mostly, follow professional approach, and may hire the services of expert personnels. They understand the benefits of training and development.

## II. ON THE BASIS OF TRAITS

Entrepreneurs possess certain dominate nature and traits. Therefore, there may be different types of entrepreneurs on the basis of their nature and traits.

3. *The Visionary Entrepreneurs:* Visionaries are entrepreneurs driven by a desire to change the world, and the capacity to imagine how to do so. Example of visionary includes ***Steve Jobs***, the founder of Apple Incorporation. The key strengths of visionary entrepreneur are – imagination and attracting brilliant followers.

Vision on its own is just daydreaming. Therefore, an entrepreneur needs other skills to make the vision a reality. Steve Jobs boasted the attention to detail of a reigning monarch, as well as a genius for design and consumers' desires. It was his vision that made transformative products like the iPhone and the iTunes store. Apple Incorporation is consistently named as the most admired company in the world by Fortune Magazine.



4. *The Adventurer-type Entrepreneurs:* The adventurer-type entrepreneurs are those individuals who would like to venture in different business areas. Example includes ***Richard Branson*** of the Virgin Group. The key strengths of adventurers include bravery, energy, tenacity, 'work hard/play hard' culture.

## III. ON THE BASIS OF EXPERIENCE

The entrepreneurs can also be classified on the basis of their experience:

5. *First-time Entrepreneurs:* First-time entrepreneurs are those who do not have experience in carrying out their business operations. They may have either started a new business venture or taken over the charge of the existing business. Due to lack of experience, they may find difficulty in obtaining credit facilities from the banks. The venture capitalists also may not easily trust and invest into new enterprise started by first-time entrepreneurs. These entrepreneurs should undertake training programmes conducted by several entrepreneurial development institutions. They should have mentors and experienced advisors to bring professionalism and innovation in business.

6. *Experienced Entrepreneurs:* Experienced entrepreneurs have good experience – qualitatively and quantitatively, in functioning of the business. These entrepreneurs know that the larger the risks taken, the greater can be the rewards. These entrepreneurs undertake cost-benefit analysis of each and every business activity. They take proactive decisions to get a competitive edge in the market. These entrepreneurs can easily consider expansion and diversification of their business activities.

## IV. ON THE BASIS OF GENDER

The gender classification of entrepreneurs can be as follows:

7. *Male Entrepreneurs:* Male entrepreneurs are generally engaged in businesses relating to manufacturing, construction, technology, marketing, etc. Their job satisfaction is derived from

the desire to be in control. They can easily obtain funds from banks and financial institutions for their business requirements. They may have a high level of confidence and initiative. They are opinionated and persuasive.

8. *Female Entrepreneurs:* Women entrepreneurs are those women who initiate, organize and operate a business enterprise. They are generally engaged in businesses relating to services, HR, software, consultancy, etc. Women entrepreneurs face a number of problems, such as dual responsibility, limited mobility, difficulty in managing male employees, etc. Inorder to alleviate their problems, various organizations, government, semi-government, and NGOs have initiated various schemes for women entrepreneurs to make them economically independent.

## V. ON THE BASIS OF OBJECTIVES

The entrepreneurs may be classified on the basis of the priority of their business objectives.

9. *Economic Entrepreneurs:* Economic entrepreneurs are persons who organize and manage a business undertaking for fulfilling the economic objective of profit maximization. The economic entrepreneurs place emphasis on cost-effective activities. They undertake cost-benefit analysis of each and every activity; not only from short-term point of view but also from long-term point of view.

10. *Social Entrepreneurs:* Social entrepreneurs recognize a social problem and use entrepreneurial principles to organize, create and manage a venture to make social change. The main aim of social entrepreneurs is to bring constructive change in society and to maximize social satisfaction. Social entrepreneurs often focus on the disadvantaged sections of society.

## VI. OTHERS

11. *On the Basis of Age*: Young entrepreneurs, Middle-aged entrepreneurs, and Old entrepreneurs.

12. *On the Basis of Use of Technology*: Technical entrepreneurs, and Non-technical entrepreneurs.



13. *On the Basis of Motivation*: Pure entrepreneurs, Induced entrepreneurs, and Motivated entrepreneurs.

# CONCEPT OF INTRAPRENEUR

In 1985, Gifford Pinchot introduced the term '*Intrapreneurship*. Pinchot states that Intrapreneur is an entrepreneur within an already existing organisation. The prime motive of Intrapreneurship is independence and to get rewarded for performance.

Traditional corporate firm has a culture and a reward system that favour ***conservative decision making.*** There is a ***restrictive environment*** in the organisation. The guiding directives in a traditional corporate culture are:

- Follow the instructions given
- Do not make mistakes
- Do not take initiative but wait for instructions

In contrast ***intrapreneurial culture*** focuses on:

- Creativity and flexibility
- Independence
- Risk taking and rewards.

*Goals of* Intrapreneurship:

- To develop vision, goals and action plans.
- To get rewarded for performance.
- To make suggestions within and across functional areas/ divisions.
- To create and develop new products, ideas, etc. regardless of the areas/divisions.
- To take responsibility and ownership.

- Training and development, etc.

All the above activities improve efficiency of the firm, i.e., t firm gets higher returns at lower costs.

6. **Effective Decision-making:** Creativity and innovation on t part of entrepreneurs enables effective decision-makin Creative decision-making helps the entrepreneurs to devel new and better solutions to problems. It encourages t entrepreneurs to look at problems and alternatives from diver perspectives. It facilitates lateral thinking. It raises sever questions and tries to find solutions to them.

7. **Customer Relationship:** Nowadays, it is vital to maintai excellent relationship with customers in order to maintain a enhance customer loyalty. Creative and innovative solution can be adopted to maintain customer relationships, such as:

   - Priority customer programmes
   - Satisfaction surveys
   - Excellent after-sale-service, etc.

8. **Growth and Expansion:** Creativity and innovation in th enterprise facilitates growth and expansion. The performanc of the enterprise improves in terms of sales, profits and marke share. Therefore, creative enterprise may adopt expansio strategy by:

   - Market development – entry in new markets
   - Product development – development of new products fo existing/new markets.

## BUSINESS IDEA

The starting point of any innovation is generation of an idea. business idea is a concept that helps to develop goods and servic for a financial gain. Most business ideas exist in an abstratct form the minds of a creator or investor.



Business idea originates from any need or wants for any product or service that an entrepreneur can identify. The business idea should enable the entrepreneur to utilize his technical, marketing or any other skills. This gives greater confidence to the entrepreneur to enter the market. However brilliant the business idea may be, it must be able to bring profits in the long-run, if not in the short-run.

Some of the ***essentials of a promising business idea*** are:

1. **Innovative:** For any business, innovation means creating new ideas, new product development through research and development or improving existing services. Innovation can be the central focus of a business and this can help the business to grow and become a market leader, if they execute their ideas properly. Extremely successful companies are built on sheer innovation. For example, FedEx revolutionized mail post services by providing quick delivery worldwide by their innovative 24-hour operation model.

2. **Unique Selling Proposition (USP):** USP is a factor that makes a company or a product different or unique from its competitors. The entrepreneur can develop the uniqueness in the areas of:

   - Pricing
   - Product quality
   - Customer service, etc.

3. **Relevant:** A business idea must be relevant in the industry and to the customers. A promising business idea must offer a product or a service that would be accepted by a large market. It must also have feasible arrangements, facilities and resources for catering to that large market.

4. **Customer Benefit:** The key to a successful business idea is that it should benefit the customer. Customers buy a product either to satisfy their need or to solve a problem. A good business idea should:

   - Describe a need for customer satisfaction
   - Provide a solution to customer problems

5. **Profitability:** Profitability is the ability of the enterprise generate earnings in relation to its costs over a certain peri of time. It is an important factor for the success and survival business. Profitable business ideas should have a strong reven stream as against its costs. However, there are some compani which have great innovative ideas, but are still running in losses, and yet the investors are willing to invest. For instanc Uber is valued at more than $ 50 billion and is making operati losses of more than $ 425 million. Inspite of huge losses, lar sums are funded to the company because of the potential t company has in the long-term.

## OPPORTUNITIES THROUGH CHANGE

Opportunity may be defined as a good prospect with respect to:

- Where present and future market shows a growing potentia
- Where the entrepreneur will have the necessary knowledg skills and attitude to run the project
- When the entrepreneur has the necessary funds through hi own contribution and/ or through the borrowings

The entrepreneur who has the ability to recognize meaningfu business opportunities are in a strategic position to successfully launch a new product and/or a new venture. Entrepreneurs may find business opportunities through changes in business environment. This can be explained as follows:

1. **Changes in Demographic Environment:** Demographic environment relates to human population with reference to its size, density, literacy rate, life expectancy, sex ratio, rural-urban

an entirely new idea to a problem. First, a word or phrase rel... to a problem is written down. Later on more words or phra... are written. Each new word or phrase attempts to a... something new to the ongoing thought processes, there... creating a chain of ideas ending up with a new product id... emerging.

## DEVELOPMENT OF PRODUCT/ IDEAS

Entrepreneurs need to be competitive inorder to get an edge in t... market. To be competitive, entrepreneurs may develop a ne... product for the markets. The following are the steps involved i... new product development:

1. **Idea Generation:** The first step in new product development ... to generate new product ideas. Ideas can be generated throug... the various techniques such as:
   - Brainstorming Technique.
   - Nominal Group Technique.
   - Inviting suggestions from customers.
   - Obtaining feedback from dealers.
2. **Analysing the Ideas:** The entrepreneur and his team ma... analyse the new product ideas. Analysis of Benefits-Costs must be conducted. The benefit analysis must be conducted in terms of sales, profits, market share, etc. Costs analysis must be conducted in terms of production and distribution costs. Ideas which are not feasible must be dropped.
3. **Short-listing of Ideas:** The entrepreneur must short-list two or three ideas for further investigation. Normally, the entrepreneur would short-list those ideas which would provide higher benefits at lower costs.
4. **Investigation:** The entrepreneur needs to conduct detailed investigation of the short-listed ideas. He may conduct *consumer research* to get feedback from the prospective



customers in the overseas markets. A ***dealer survey*** may be conducted to find out their reaction towards the new product idea.

5. **Selection of Best Idea:** The entrepreneur may select the best idea after detailed investigation. He may select that idea which would provide maximum possible benefits at minimum possible costs. The new product idea must be such that would provide maximum value to the customers and at the same time generate higher returns to the marketer.
6. **Product Development:** The entrepreneur must make arrangement for product development. He has to organize necessary resources – physical, capital and manpower. He must also give necessary directions to the production team to design and develop the product that can meet customers' expectations.
7. **Test Marketing:** The entrepreneur may undertake test marketing of the new product. In test marketing, the product would be launched in a small market area to judge the reaction of the customers towards the product in terms of features, price, etc.
8. **Commercialization:** If the test marketing results are positive, the entrepreneur may go ahead with the production and marketing on a larger scale. The product will be launched in a larger market area. The entrepreneur may undertake appropriate promotion-mix, which includes:
   - Publicity
   - Advertising
   - Sales Promotion.
   - Trade Fairs Participation, etc.
9. **Review of Product Performance:** The entrepreneur must review the performance of the product in the overseas markets. He may have to obtain feedback from the customers and dealers. He may also analyse the reactions of the competitors.

10. **Changes in Marketing Mix:** On the basis of product performance review, the entrepreneur may have to make certain changes in the marketing-mix. Marketing-mix changes may be required in respect of:

- Product's design/features.
- Product's pricing.
- Promotion-mix.
- Product's distribution.

## ENVIRONMENTAL SCANNING

**Environmental scanning** is a concept from business management by which business firms gather information from the environment, to achieve a sustainable competitive advantage. To sustain competitive advantage the company must also respond to the information gathered from environmental scanning by altering its strategies and plans when the need arises.

### Methods

There are three ways of scanning the business environment:

- **Ad-hoc scanning** - Short term, infrequent examinations usually initiated by a crisis
- **Regular scanning** - Studies done on a regular schedule (say, once a year)
- **Continuous scanning** - (also called continuous learning) - continuous structured data collection and processing on a broad range of environmental f

# OBJECTIVE QUESTIONS

**I. Fill in the blanks with the correct option from the bracket:**

1. _____ innovation for products can include extending existing product lines.
(Incremental, **Evolutionary**, Revolutionary)
2. _____ innovation relates to the changes in underlying mental models about what the organization does.
(Process, Brand Positioning, **Paradigm**)
3. In _____ stage, the subconscious mind is given enough time to assimilate information collected from various sources.
(Preparation, **Incubation**, Illumination)
4. _____ refers to some new creations, which did not have any existence before.
(Innovation, **Invention**, Creativity)
5. _____ originates from any need or wants for any product or service that an entrepreneur can identify.
(**Business idea**, Innovation, Invention)
6. _____ technique was developed by Alex Osborn.
(Brain writing, **Brainstorming**, Reverse Brainstorming)
7. In case of _____, ideas may be generated and discussed through video conferencing.
(Nominal Group Technique, **Delphi Technique**, Gordon Model)
8. In _____, the product would be launched in a small market area to judge the reaction of the customers towards the product.
(test marketing, **commercialization**, investigation)
9. In case of _____ scanning, short-term, infrequent examinations is done, usually initiated by a crisis.
(**ad hoc**, regular, continuous)
10. _____ feasibility involves the capability of the organization to raise the appropriate funds needed to implement the proposed project.
(Economic, **Operational**, Financial)
11. _____ refers to a process of deciding in advance in respect of business activities.
(**Business planning**, Business idea, Feasibility study)
12. A _____ protects and promotes the interests of it members.
(Limited Liability Partnership firm, **Cooperative organization**, Joint Stock Company)

13. _____ is a hybrid structure emerging from company and partnership firm. (**Limited Liability Partnership firm**, Cooperative organization, Joint Stock Company)

14. _____ involve preparation of time-table in respect of a project plan. (**Scheduling**, Milestone, Business idea)

**II. State whether the following statements are 'True' or 'False':**

1. Innovation and invention mean one and the same.
2. A patent legally protects the intellectual property rights of the inventor.
3. Process innovation focuses on discovering new markets.
4. A promising business idea need not be profitable.
5. Entrepreneurs may find business opportunity through changes in business environment.
6. Business ideas can be generated only through R&D.
7. In case of Big Dream Approach, an idea is developed through a chain of word associations.
8. The entrepreneur should select that idea, which provides maximum possible benefits at minimum possible costs.
9. Environmental scanning only includes scanning of macro environment.
10. During the growth stage of entrepreneurship development cycle, there may be sharp increase in sales and revenue.
11. Marketing feasibility helps the firm to find out whether or not the current organizational set up would be in a position to undertake the operations.
12. In case of partnership firms, the partners are jointly and severally responsible.
13. A Joint Stock Company is more complicated in formation as compared to a Limited Liability Partnership firm.
14. Contingent plans help the entrepreneur to cope with cope with risks.

*Ans: True : 2, 5, 8, 10, 12, 13, 14; False : 1, 3, 4, 6, 7, 9, 11*

**III. Match the following:**

| Group A | Group B |
|---|---|
| 1. Innovation | (a) Attribute listing |
| 2. Invention | (b) Delay in decision-making |
| 3. Business idea | (c) Joseph Schumpeter |
| 4. Joint Stock Company | (d) Limited capital |
| 5. Sole Proprietorship | (e) Technical criteria |

*Ans: (1) - (c), (2) - (e), (3) - (a), (4) - (b), (5) - (d)*